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SUBJECT: AZERBAIJAN: CIVIL NUCLEAR ENERGY SECTOR OVERVIEW

REF: SECSTATE 127423 BAKU 1091

11. SUMMARY: In response to Ref. A tasking, this report summarizes the structure plans and potential players in Azerbaijan's nascent civil nuclear energy sector. End Summary.

OVERVIEW OF CIVIL NUCLEAR POWER PROGRAM

12. As noted in Azerbaijan's 2004 report to the UN Resolution 1540 Committee, Azerbaijan does not possess any nuclear reactors, nuclear fuel cycle facilities, or mine nuclear materials on its territory. Azerbaijan does, however, plan to construct a very small reactor or "critical assembly" for conducting nuclear research. Such a reactor would not produce nuclear power or weapons useable nuclear material. Azerbaijan is just now beginning to consider pursuing nuclear power, as Minister of Emergency Situations Kamaladdin Heydarov informed U.S. Special Envoy Frank Mermoud in their November 13 meeting (Ref B). The Minister emphasized that although the GOAJ has plenty of oil and gas to serve its current needs, it is considering the move to nuclear power in the next "20 to 30 years."

13. President Aliyev signed a decree in April 2008, giving authority to the Ministry of Emergency Situations to create a national nuclear regulatory agency but no real progress toward this goal has been achieved to date. It is unclear how well developed GOAJ plans and legal framework are for pursuing nuclear capabilities. At this time Embassy does not believe that Azerbaijan has a significant number of citizens with sufficient technical knowledge to build and operate its own civil nuclear power production reactor and supporting facilities.

14. According to a DOE/INECP 2008 report, Azerbaijan is not a significant manufacturer of nuclear, missile, or dual-use materials and does not possess industrial capabilities which could turn it into a supplier of these commodities. However, Azerbaijan is actively pursuing investments to revitalize its industrial base including the production of metals.

OPPORTUNITIES FOR U.S. INDUSTRY

15. Currently the only known cooperation on the provision of U.S.-made nuclear technologies being negotiated is the supply

of small radioactive sources from Pacific Northwest National Laboratory to test radiation detection equipment being provided by U.S. DOE at border checkpoints. According to the local media, the GOAJ has plans to build a critical assembly (very small-scale reactor) to create small sources for use in medical treatment and oil exploration. This may present an opportunity for U.S. nuclear technology and expertise.

FOREIGN COMPETITORS

¶6. Considering the nascent nature of the civil nuclear energy sector in Azerbaijan, it is unlikely there are many other players at this stage. However, it is reasonable to assume that the Russians and/or Iranians would be willing to provide technology and expertise for pay or political gain.

POLITICAL CONSIDERATIONS

¶7. The GOAJ is extremely cautious about making political waves with either its northern or southern neighbor. Russia is a powerful source of remittances for the Azerbaijani economy as well as a major worldwide supplier of nuclear technology, and northern Iran is home to nearly 20 million ethnic Azeris.

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